

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 ISO-00

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00

AID-05 CIAE-00 COME-00 INR-07 IO-13 LAB-04

NSAE-00 OIC-02 SIL-01 STR-06 TRSE-00 CEA-01 SS-15

NSC-05 XMB-02 OPIC-03 /141 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 5147

INFO AMEMBASSY BONN

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USEEC

PASS TREASURY FOR PELIKAN

E.O. 11652: N/A

TAGS: EFIN, OCON

SUBJECT: TDB SENIOR OFFICIALS MEETING

REFERENCE: (A) GENEVA 1029, (B) STATE 12743

1. SUMMARY. WORK OF TDB SENIOR OFFICIALS, IN PREPARING FOR MINISTERIAL LEVEL MEETING OF TDB SCHEDULED FOR MARCH, HAS PROCEEDED SLOWLY BUT SMOOTHLY DURING FIRST HALF OF WEEK-LONG MEETING.

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IN PLENARY SESSIONS GROUP B (MARKET INDUSTRIAL COUNTRIES), G-77 (LDCS), AND GROUP D (SOCIALIST COUNTRIES) HAVE REITERATED THEIR WELL-KNOWN POSITIONS ON THE ISSUES OF DEBT AND THE LEAST DEVELOPED. IN SEPARATE DRAFTING GROUPS OVER LAST FEW DAYS GROUP B AND G-77 HAVE PREPARED PAPERS FOR THE USE OF THE MINISTERS AT THE MARCH MEETING. GROUP B PAPER, WHICH WAS PRESENTED TO G-77 LATE WEDNESDAY, ADOPTS PROCE-

DURAL APPROACH BY IDENTIFYING AND CLARIFYING ISSUES UNDER EACH AGENDA ITEM TO FACILITATE WORK OF MINISTERS. GG77 PAPER, WHICH WILL BE MADE AVAILABLE ON THURSDAY, IS INTENDED TO MAKE RECOMMENDATIONS UNDER EACH AGENDA ITEM FOR DECISION BY THE MINISTERS. END SUMMARY.

2. DURING PAST THREE DAYS EACH OF THE PARTIES INVOLVED IN THE UNCTAD EXERCISE HAS RESTATED ITS WELL-KNOWN POSITIONS ON THE PROBLEM OF AND SOLUTION TO THE EXTERNAL INDEBTEDNESS OF THE LDCS, AND INDICATED ITS EXPECTATIONS REGARDING THE MINISTERIAL MEETING IN MARCH. SECGEN COREA'S OPENING STATEMENT (REPORTED REF A) REPEATED THE UNCTAD'S OBJECTIVES FOR AND REFLECTED THE HIGH LEVEL OF COMMITMENT TO THE MINISTERIAL.

3. IN PLENARY SESSION THE REP FROM ZAIRE, SPEAKING FOR THE G-77, MADE IT CLEAR THAT THE LDCS CONSIDER THE FOCUS OF THE MARCH TDB MEETING WILL BE DEBT, THEY ATTACH GREAT IMPORTANCE TO THE MEETING, AND THEY EXPECT, AS A RESULT OF THE POLITICAL PROCESSES AT WORK IN A MINISTERIAL LEVEL MEETING, ACTION WILL BE TAKEN TO PROVIDE DEBT RELIEF OR INCREASE RESOURCE TRANSFERS. HE REITERATED THE LDC PRIMARY OBJECTIVE: IMMEDIATE AND GENERALIZED DEBT RELIEF FOR THE LEAST DEVELOPED, MSAS, LANDLOCKED AND ISLAND DEVELOPING COUNTRIES. CITING RECENT ACTIONS TAKEN BY CERTAIN DEVELOPED COUNTRIES TO GRANT DEBT RELIEF TO THE LIMITED OFFICIAL USE

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POOREST LDCS, HE NOTED THAT, GIVEN THE POLITICAL WILL, OTHERS COULD FOLLOW SUITE. THE OTHER OBJECTIVE OF THE G777 CONCERNS FEATURES FOR FUTURE DEBT REORGANIZATION: THEY ARE STILL PUSHING FOR COMMON NORMS BY MELDING ONE G-19 AND US/EC CIEC PROPOSAL ON FEATURES. HE ALSO EXPRESSED CONSIDERABLE INTEREST IN THE SWEDISH PROPOSAL TO CANCEL DEBT SERVICE DUE ON PAST ODA LOANS TO THE POOREST DEVELOPING COUNTRIES.

4. STATEMENT BY FRANCE ON BEHALF OF GROUP-B CHARACTERIZED THE UPCOMING MINISTERIAL AS A FUTURE STEP ON THE PATH OF MUTUAL COOPERATION ON THE PROBLEMS OF DEBT AND DEVELOPMENT, INCLUDING THOSE OF LEAST DEVELOPED. HE REITERATED THE BASIC GROUP B POSITION ON THE DEBT ISSUE, DRAWING ON THE REPORT SUBMITTED BY GROUP B AT THE DECEMBER DEBT EXPERTS MEETING: PROBLEM OF DEBT IS NOT GENERAL, INTERNATIONAL FINANCIAL SYSTEM CAN COPE WITH INDIVIDUAL PROBLEMS AS THEY ARISE, AND REAL PROBLEM FACING CERTAIN COUNTRIES IS ONE OF RESOURCE TRANSFERS. HE UNDERSCORED THAT ACTIONS TAKEN BY CERTAIN GROUP B COUNTRIES RECENTLY WERE TO INCREASE AID FLOWS, NOT TO EXTEND GENERALIZED DEBT RELIEF.

5. GROUP B PREPARED A DELINEATION OF ISSUES UNDER EACH ITEM OF THE DRAFT PROVISIONAL AGENDA. THE PURPOSE OF THE DELINEATION OR ANNOTATION IS TO IDENTIFY AND CLARIFY ISSUES ON WHICH THE GROUP BELIEVED IT WOULD BE APPROPRIATE FOR THE MINISTERS TO FOCUS AT THE MARCH MEETING. THIS PAPER WAS PRESENTED TO G-77 LATE WEDNESDAY. IN FORM AND SUBSTANCE IT CLOSELY FOLLOWS US DRAFT PREPARED IN WASHINGTON (REF B) UNDER AGENDA ITEM 3, "PROPOSALS MADE CONCERNING MEASURES FOR VARIOUS TYPES OF DEBT RELIEF FOR CERTAIN CATEGORIES OF DEBT OF CERTAIN GROUPS OF DEVELOPING COUNTRIES," WAS INCLUDED. AT US INSISTANCE, HOWEVER, LANGUAGE IS CLEAR THAT THERE ARE PROPOSALS ALREADY MADE AT FIRST AND SECOND DEBT EXPERTS MEETINGS SO NO NEW DEBT RELIEF PROPOSALS WOULD

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BE INTRODUCED UNDER THIS ITEM.

6. IMMEDIATE G-77 REACTION TO GROUP B PAPER IS THAT IT MERELY ELABORATES THE AGENDA AND FAILS TO PRESENT THE ISSUES IN A WAY WHICH WILL ACHIEVE RESULTS. THE G-77 DOES NOT WANT TO PRESENT THE MINISTERS WITH BROAD ECONOMIC ANALYSES OF THE DEBT ISSUE AS CONTAINED IN THE DEBT EXPERTS REPORTS; THEY WANT THE MINISTERS TO MAKE DECISIONS ON THE

BASIS OF RECOMMENDATIONS DEVELOPED THIS WEEK BY THE SENIOR OFFICIALS ON IMMEDIATE AND GENERALIZED DEBT RELIEF AND FEATURES FOR FUTURE DEBT PROBLEMS. THE G-77 PAPER WILL BE PRESENTED ON THURSDAY IN THE PRESIDENT'S CONTACT GROUP. CONTACT GROUP HAS BECOME FORUM FOR FORMAL EXCHANGE OF VIEWS. POSITIONS OF THE G-77 HAVE YET TO SOLIDIFY COMPLETELY. HOWEVER, PRIVATE CONVERSATIONS INDICATE THAT THEY DESIRE LIMITED OFFICIAL USE

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MINISTERS TO DEAL WITH THE RESOURCE TRANSFER ISSUE, I.E. DEBT RELIEF, AS PRIORITY ISSUE. GUIDELINES IS DEFINITELY SECOND WITH COMMERCIAL DEBT A VERY POOR THIRD.

7. COMMENT: RUMORS HERE ARE RIFE THAT THE MINISTERIAL MEETING ON DEBT WILL BE POSTPONED. WHILE NOT RULING OUT THIS POSSIBILITY, WE DO NOT BELIEVE THIS OUTCOME WILL HAVE A HIGH PROBABILITY. THE MINISTERIAL HAS ALREADY BEEN SLIPPED TWICE. IN ACCORDANCE WITH UNCTAD II IT WAS TO BE HELD IN 1977 AND WAS SCHEDULED FOR NOVEMBER. THIS DATE WAS MOVED TO JANUARY AND NOW TO MARCH. SECONDLY, THE MINISTERIAL RESOLUTION AT UNCTAD IV WAS A CONVERGENCE OF TWO IDEAS, AN INTERSECTIONAL MINISTERIAL AND A DEBT MINISTERIAL. THERE IS A STRONG DESIRE TO ESTABLISH THE PRECEDENT OF AN INTERSECTIONAL MINISTERIAL THAT IS NOT SO CLOSE TO UNCTAD V AS TO BE NO MORE THAN A PREPARATORY SESSION. THIRD, THE POORER LDCS SEE THE DEBT ISSUE AS THEIR OPPORTUNITY TO GET MORE RESOURCE TRANSFERS. WITH "OTHER MEASURES" IN THE COMMON FUND NO MORE THAN A DIM DREAM, THESE NEGOTIATIONS ARE QUITE IMPORTANT TO THEM. FOURTH, THE COUNTRIES THAT WILL GAIN THE MOST BY DEBT RESCHEDULING CONTROL THE KEY ORGANIZATIONAL POSTS IN THE G-77 IN THESE NEGOTIATIONS. OTHER REPRESENTATIVES HERE WHO BACK G-77 POSITION DON'T UNDERSTAND THE ECONOMICS OF THE ISSUE AND ARE BOUND TO G-77 SOLIDARITY. FIFTH, COREA DOES NOT HAVE THE POWER HIMSELF TO POSTPONE THE MEETING EVEN IF HE SHOULD DESIRE TO DO SO. SIXTH, A POSTPONEMENT WILL BE A LOSS OF FACE TO LDCS. IT WILL MEAN THERE HAS BEEN NO PROGRESS ON THE TWO ISSUES COMING OUT OF UNCTAD IV, COMMON FUND AND DEBT. VANDEN HEUVEL

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